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Australia

Exporter Guide

Annual

2004

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Report Highlights:
Australia is a prosperous, politically & economically stable, industrialized nation. In 2003, per capita GDP was $25,353, comparable to major industrialized western countries. The Australian economy continues to enjoy solid growth with low inflation. Australia's consumer-oriented agricultural imports were valued at around $2,300 million in 2003, of which the U.S. supplied 10 percent. Agents/distributors are key components in developing exports of U.S. consumer-ready foods to Australia.

Includes PSD Changes: No
Includes Trade Matrix: No
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[AS]

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Section I: Market Overview

Americans and Australians have a warm relationship that spans the history of both nations. Australia and the United States share a common heritage, culture and language and have supported each other in every major international crisis of the past century. Yet, despite friendship and close ties, most Americans do not know much about Australia. American television romanticizes Australia's vast continental landmass and unique wildlife, and its frontier/surfer/barbecue/sporting stereotypes. But few Americans know the real, contemporary Australia.

Australia is a prosperous, politically and economically stable, industrialized nation. It enjoys an enormous natural resource base of agriculture and minerals; a highly developed human resource base; modern legal and financial systems; and a physical and service infrastructure to support complex business and industry. Its state-of-the-art transportation and telecommunications systems (both internal and international) support a well-developed, economically diversified market. Per capita GDP is approximately US$25,353, comparable to major industrialized western countries. The economy is growing steadily, inflation and interest rates are low and investment terms are competitive. The major concerns are a relatively high unemployment rate and a large external account deficit.

Australia is one of the most urbanized societies in the industrialized world, even though its land mass is the size of the continental United States. Of its 20 million people, more than 85 percent live in the large urban areas of Sydney, Melbourne, Adelaide, Brisbane and Perth and in smaller cities and towns within 100 miles of the ocean. The center of the continent is flat, dry, mineral rich and largely unpopulated, while the coastal areas are wet, mountainous, and densely forested. The interior plains are rich and fertile, supporting great varieties of agriculture.

The society is increasingly multi-cultural, with the traditional Anglo-Celtic majority now joined by immigrants from Southern and Eastern Europe, the Middle East, Latin America and Asia, who are all making their cultural influences felt more vibrantly.

The Australian economy is enjoying a period of solid growth with low inflation. For the 2003 calendar year, real gross domestic product grew by around 3.0 percent, despite the effects of the recent drought on rural production. It is anticipated that growth should bounce back closer to 4.0 percent in 2004. The consumer price index rose by close to 2.4 percent in 2003. A similar rate is expected for 2003. Some moderation in inflation is expected for 2004 (2.0 percent).

The U.S. and Australia have recently signed a Free Trade Agreement that should provide some advantages for U.S. products. For example, tariff rates for all U.S. food products exported to Australia would drop to zero upon implementation of the agreement.

Advantages	Challenges
U.S. culture well accepted and similar to Australia	Strict quarantine regulations with regard to fresh produce, meat and dairy products
No language barriers to overcome	Australia is a significant producer of a wide variety of agricultural products.
U.S. products have excellent image and acceptance.	'Buy Australian' campaign is significant.
The U.S. and Australia have recently negotiated a free trade agreement that would remove import tariffs.	Australian labeling & advertising laws are different from the U.S. This may require some changes to food labels.

Section II: Exporter Business Tips

- Agents/distributors are key components in developing exports of U.S. consumer-ready foods to Australia.
- Australia is a sophisticated market that is interested in new-to-market food products.
- An increasingly multicultural society creates opportunities for ethnic food products.
- After sales services, such as cooperative advertising, is an important aspect of successfully entering the market.
- Innovative packaging has an advantage.
- Most of the major Australian importers visit the United States at least once a year to see what is available and to place orders if the items are appealing.
- The Food Standards Code is developed and updated by Food Standards Australia New Zealand Food (FSANZ) - formerly ANZFA. The Code was recently completely reviewed and consolidated into a joint code that applies to both Australia and New Zealand. The joint Code came into final effect in December 2002. More information, and a copy of the code, is available on the FSANZ web site at the following address: http://www.foodstandards.gov.au/.
- The Food and Agriculture Import Regulations and Standards (FAIRS) report for Australia contains detailed information on Australia's food standards, labeling requirements, import regulations, etc. This report can be viewed/downloaded at the following Internet site: http://www.fas.usda.gov/scriptsw/attacherep/default.htm
- In December 2001, mandatory requirements for labeling genetically modified foods, where introduced DNA or protein is present in the final food, came into effect in Australia. The requirements are covered in Standard 1.5.2 of the joint Australia New Zealand Food Standards Code and FSANZ has developed a User Guide to help interpret the requirements. This information is available on the Internet by clicking on the above links or at the FSANZ web site listed above.
- Australian Maximum Residue Limits are in the schedules of Standard 1.4.2 of the joint Australia New Zealand Food Standards Code. MRLs are constantly changing and guidance on the latest available information is available from this office at the following e-mail address: AgCanberra@usda.gov.
- Food safety and plant and animal health import regulations can be found at the Australian Quarantine Inspection Service (AQIS) Internet site at: http://www.aqis.gov.au/ or through links in the FAIRS report mentioned above.

Trade Shows

At this time, there is only one major food show in Australia, Fine Food Australia, which is held each year alternating between the cities of Sydney and Melbourne. Major buyers and importers from all over the country and region attend. Due to Australia's large physical size and the high cost of internal airfares and transport, it is felt that attending and possibly exhibiting at Fine Food is perhaps the most cost-effective way for U.S. companies to meet potential partners and customers for consumer-oriented food products in Australia.

Fine Food is an international exhibition for the food, drink, and equipment industries and is the largest food industry event in the region. The event also incorporates the hotel industry show. It enjoys the support of major industry organizations and is the only event that allows companies to reach the retail, food service and hospitality industries at one venue. As well as exhibitors from Australia, regular exhibitors include groups from Asia, Europe and the Americas.

Admission to Fine Food and the Supermarket and Hotel shows is "trade only" and is restricted to persons in the food, drink, equipment, hotel and supermarket trades.

CONTACT: Mr. Tim Collett, Exhibition Director
Australian Exhibition Services
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Melbourne VIC 3004
AUSTRALIA
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Web site: http://www.ausexhibit.com.au/

Fine Food Australia 2005

Sydney Convention & Exhibition Center, September 12-15, 2005.

This information is provided for informational purposes only. No endorsement should be implied unless specifically stated. Terms and conditions of participation are the responsibility of the activity organizer. Please contact the organizer directly for further information.

Section III: Market Structure & Trends

- Australia has well-educated, affluent consumers, willing to try new products.
- Consumer-ready foods continue to dominate the import market for foodstuffs.
- Most tariffs on imported foods have been reduced to zero under the U.S./Australia Free Trade Agreement.
- Very strict sanitary and phytosanitary standards are an impediment to the import of many fresh products.
- Australia has strict food standards and labeling requirements that are set out in the Australia New Zealand Food Standards Code. If U.S. products can meet these standards, they may have good market potential in Australia.
- While Australia is a major producer/exporter of both tropical and temperate zone agricultural products, it is also an importer of further processed and consumer-ready products.
- Value added products and innovative packaging are valuable selling points in the Australian market.

$ Some of the U.S. success in this market has been the complementarities of the Northern/Southern Hemisphere growing seasons. Success, however, is very much tied to good consumer promotion efforts.
$ U.S. products are well regarded as value for money in this market.
$ It is estimated that over 85 percent of the products on Australian supermarket shelves are imported, made from imported ingredients or produced locally by foreign owned companies.
$ The United Kingdom and other EU countries are important competitors in the value added import market in Australia. Strong historic ties and foods that match the tastes of the majority of the population are helpful in maintaining this position.
$ With the Australian population becoming more multi-cultural, imports are rising from other countries such as Greece, Italy and Spain, as well as Southeast Asian countries.
$ The Treaty of Closer Economic Cooperation with New Zealand makes that country a strong player in the imported food market.
$ The high degree of urbanization, the high ratio of females in the workforce and the relative prosperity of Australia, makes food consumption a very competitive field.
$ The use of microwaves is firmly established in Australia – well over 90 percent of households have a microwave. This, plus the large number of women in the workforce, has led to an increase in more oven or microwave ready meals.
$ Fast foods and "take-away" foods are also very popular.
$ The restaurant sector has also benefited from this demographic trend, as away-from-home consumption is growing rapidly.
$ Australians are active international travelers and are exposed to new cuisines when traveling.
$ Australian food manufacturers have been consolidating, which has led to greater competition by brands for shelf space in supermarkets.
$ Two chains dominate Australian grocery sales - Woolworths and Coles.
$ Both these companies are national in scope and are also organized along state lines. They have recently been involved in a campaign to acquire smaller independent chains to maintain their market shares.
$ In recent years, these food-retailing giants have increasingly become their own importers, bypassing more traditional importers.
$ Metcash is a supplier/distributor to independent chains and is the third largest player in the packaged grocery market.
$ All these supermarket chains have central warehouses for each state of operation and have sub-warehouses depending on the concentration of stores in an area.
$ The domestic food-processing sector in Australia is large and more sophisticated than the population base of 20+ million would indicate.
$ Many Australian companies export processed products to Southeast Asia. In addition, several multinational companies use manufacturing/processing facilities in Australia as a spearhead in penetrating the Southeast Asian market. This is a trend that will continue to expand in the near term.
$ 'Clean', 'green' and 'organic' and 'natural' can be great selling points amongst a growing segment of the market.

Section IV: Best High-Value Product Prospects

- The **fresh pasta sauce** segment grew by 20 percent (by grocery volume) from 2002-2003 and now has a grocery value of US$16 milion.
- **Frozen Asian foods** (spring rolls, dim sims, etc) increased their grocery volume by a little over 11 percent in 2003 with the total grocery value of the segment now at US$29 million.
- The **Mexican food & Dips** segment grew by five percent (grocery volume) in 2003 and is now valued at US$83 million.
- **Canned fish** - Valued at US$287 million in 2003, the canned fish segment is the largest and most active and innovative in the canned food market in Australia. The segment grew by almost ten percent in 2002. Tuna continues to drive this segment with value growth of over 16 percent in 2003.
- **Cold beverages** – Fruit/tea drinks is the best performing segment in the cold beverage category with overall growth by grocery volume of 36 percent in 2003. Energy drinks was the next best performing segment with growth of 7.9 percent. Value growth in these two segments was 37 and 13 percent respectively.
- **Nutritious snacks** - with a grocery value of US$275 million, the market for nutritious snacks grew by 14 percent in 2003. Health and convenience is a good combination and the nutritional snack category is currently one of the fastest growing categories in Australian supermarkets.
- The **organic and natural products** market in Australia is also growing rapidly. Although Australia is a large producer of organic raw products, it does not have the manufacturing capacity to satisfy demand for the processed segment. Prospects are good for organic and natural ingredients as well as consumer-ready processed foods and beverages.

Section V: Key Contacts & Other Information

Key Contacts

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Web Site: http://www.foodstandards.gov.au/

Imported Food Inspection Scheme
Australian Quarantine & Inspection Service
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Web: http://www.fbia.org.au

Other Information

The home page for the Foreign Agricultural Service is located at: http://www.fas.usda.gov.

Various FAS reports can be downloaded at:
http://www.fas.usda.gov/scriptsw/attacherep/default.htm.

For Australia, the following market sector reports are available:
- Food & Agriculture Import Regulations & Standards (FAIRS)
- Retail Sector Report (2003)
- Food Processing Sector Report (2004)
- Hotel, Restaurant & Institutional Sector Report (2004)
- Organic Products (2004)
- Functional Food Products (2004)
- Pet Food Product Brief (2003)
- Confectionery Product Brief (2003)
- Snack Food Product Brief (2003)

Appendix I: Statistics

Table A: Key Trade & Demographic Information

Agricultural Imports from All Countries ($Mil)/U.S. Market Share (%)	(2003)	$4,772	10%
Consumer Food Imports from All Countries ($Mil)/U.S. Market Share (%)	(2003)	$2,294	10%
Edible Fishery Imports from All Countries ($Mil)/U.S. Market Share (%)	(2003)	$588	3%
Total Population (Millions)/Annual Growth Rate (%)	(Aug 2004)	20.2	1.3%
Urban Population (Millions)/Annual Growth Rate (%)	(Aug 2004)	17.5	0.6%
Number of Major Metropolitan Areas [1/]	(2004)		5
Size of the Middle Class (Millions)/Growth Rate (%)			n/a
Per Capita Gross Domestic Product (US$)	(2003)		25,353
Unemployment Rate (%)	(Aug 2004)		5.6%
Per Capita Food Expenditures (US$)	(CY2003)		$1,674
Percent of Female Population Employed (%)	(Aug 2004)		55.9%
Exchange Rate	(Aug 2004)	US$1.00 = $1.42	

1/ Centers with population over 1,000,000

SOURCES: UN Statistics & various Australian Bureau of Statistics publications & estimates from Economic & Agriculture Sections, US Embassy, Canberra, Australia.

Table B: Consumer Food & Edible Fishery Product Imports

Australia Imports (In Millions of Dollars)	Imports from the World 2001	2002	2003	Imports from the U.S. 2001	2002	2003	U.S Market Share 2001	2002	2003
CONSUMER-ORIENTED AGRICULTURAL TOTAL	1,704	1,909	2,294	169	182	220	10	10	10
Snack Foods (Excl. Nuts)	145	156	196	14	10	9	10	6	5
Breakfast Cereals & Pancake Mix	5	8	14	2	2	1	28	23	7
Red Meats, Fresh/Chilled/Frozen	75	102	129	1	1	1	0	0	0
Red Meats, Prepared/Preserved	14	16	21	4	5	5	31	29	23
Dairy Products (Excl. Cheese)	61	49	73	2	2	2	3	3	2
Cheese	110	114	131	1	1	1	0	0	0
Eggs & Products	4	4	5	1	1	1	13	12	12
Fresh Fruit	46	55	71	15	19	25	32	35	35
Fresh Vegetables	12	13	20	2	2	4	17	19	19
Processed Fruit & Vegetables	236	266	325	30	29	35	13	11	11
Fruit & Vegetable Juices	53	63	80	4	6	8	8	9	10
Tree Nuts	55	65	85	9	8	10	17	13	12
Wine & Beer	86	115	141	2	2	3	2	2	2
Nursery Products & Cut Flowers	17	20	23	1	1	1	2	1	1
Pet Foods (Dog & Cat Food)	40	46	59	12	15	19	30	32	33
Other Consumer-Oriented Products	745	818	920	73	82	99	10	10	11
FISH & SEAFOOD PRODUCTS	464	498	588	18	15	18	4	3	3
Salmon	34	32	39	14	12	13	41	36	34
Surimi	11	11	16	1	1	1	5	4	3
Crustaceans	145	140	161	1	1	1	0	1	0
Groundfish & Flatfish	106	124	143	1	1	1	0	0	1
Molluscs	46	52	59	1	1	1	1	1	1
Other Fishery Products	122	141	171	2	1	2	2	1	1
AGRICULTURAL PRODUCTS TOTAL	2,416	2,811	3,468	300	358	438	12	13	13
AGRICULTURAL, FISH & FORESTRY TOTAL	3,317	3,891	4,772	350	405	483	11	10	10

Source: FAS' Global Agricultural Trade System using data from the United Nations Statistical Office

Table C: Top 15 Suppliers of Consumer Foods & Edible Fishery Products

Australia - Top 15 Suppliers

CONSUMER-ORIENTED AGRICULTURAL IMPORTS

($1,000)	2001	2002	2003
New Zealand	374,891	424,284	514,782
Ireland	86,046	155,890	224,321
United States	168,901	182,196	220,428
Italy	95,193	107,158	131,280
China (Peoples Republic of)	75,763	94,200	104,774
Denmark	44,801	63,433	88,660
Thailand	76,261	81,460	87,819
France	44,122	55,608	75,612
Canada	55,127	64,622	72,787
Netherlands	64,172	72,128	62,864
United Kingdom	83,490	67,067	59,995
Germany	33,485	32,636	54,687
Spec Cats	13,094	22,921	50,467
Vietnam	22,476	28,959	40,514
Singapore	23,499	25,933	37,587
Other	443,029	430,892	466,919
World	1,704,380	1,909,463	2,293,584

FISH & SEAFOOD PRODUCTS IMPORTS

($1,000)	2001	2002	2003
Thailand	128,305	126,061	148,692
New Zealand	84,781	96,101	103,449
Vietnam	24,558	31,785	52,320
China (Peoples Republic of)	14,172	21,973	39,312
India	21,994	22,661	25,354
South Africa	18,667	21,530	23,380
Indonesia	16,097	16,978	18,741
United States	17,729	15,456	18,056
Malaysia	17,716	17,096	16,008
Taiwan (Estimated)	11,321	10,311	13,499
Canada	13,187	12,818	12,236
Japan	9,457	10,757	10,384
Chile	11,256	10,818	10,317
Kenya	6,270	7,871	9,524
Burma	6,513	8,188	8,406
Other	61,939	68,080	78,284
World	463,987	498,482	587,966

Source: United Nations Statistics Division